

Editorial: Impact of rate structure change for Alabama Power

Co. unclear

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It wasn't exactly a message to inspire confidence when the Public Service Commission approved a change in the rate structure for Alabama Power Co. last week:

PSC President Twinkle Cavanaugh hailed a modest decrease she says customers will see on their power bills. Commissioner Jeremy Oden cited an even more modest decrease to come, with a top figure less than half Cavanaugh's claim. Commissioner Terry Dunn, who voted against the proposal, said it didn't really change anything and predicted the company's profits would rise.

So who's right? Are customers going to pay a fairer rate than before? Is Alabama Power going to get a reasonable rate of return?

It may be next year before some answers begin to emerge. The change in the rate structure calculations takes effect in January. Maybe customers will see some decrease in their bills, but it's not going to be much. Cavanaugh estimated annual — annual — reductions of \$30 to \$110. Oden projected savings of \$30 to \$45.

At \$30, that's less than a dime a day. Even if one takes the high end of Cavanaugh's estimate — a dubious choice, given her flair for overstatement — it's barely 30 cents a day. Then there's the possibility that Dunn is right and the long-term beneficiary of the change is Alabama Power, not the ratepayers.

One point of clarity has surfaced amid all the political bluster and arcane talk about common equity ratios and weighted costs and so forth: No one else in the country formulates rate structures this way.

Ponder that for a moment. One clear implication is that it will now be more difficult to compare rates paid by Alabama Power customers with those paid by other utilities' customers elsewhere. They won't be calculated the same way.

Dunn and an analyst for Alabama AARP, which opposed the change, contend that when all the figures are considered, the net effect is basically nothing. The company's permitted rate of return range is scarcely affected, even though the numbers are characterized differently.

Whether the PSC has managed to walk that regulatory tightrope between protecting customers and treating the utility fairly remains unclear. There is ample reason for concern, however, so customers should look closely at their first few electric bills next year — and at future financial statements of Alabama Power.